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C O N F I D E N T I A L SECTION 01 OF 05 COLOMBO 001232

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STATE FOR A/S BOUCHER AND SCA/INS, USPACOM FOR FPA

E.O. 12958: DECL: 09/03/2017

TAGS: [PREL](#) [PHUM](#) [CE](#)

SUBJECT: SRI LANKAN PROGRESS ON ISSUES OF CONCERN TO U.S. -  
WHERE ARE WE AND WHERE DO WE GO FROM HERE?

REF: A. COLOMBO 1206  
[1](#)B. COLOMBO 1225  
[1](#)C. COLOMBO 1208  
[1](#)D. COLOMBO 980

Classified By: Ambassador Robert O. Blake, Jr. for reasons  
1.4 (b) and (d).

Summary  
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[1](#)1. (C) As Washington prepares for a busy fall, post thought it would be useful to provide a brief snapshot of where we stand on the key issues in our agenda with Sri Lanka; the outlook for the fall; and what specific steps the U.S. can take to advance our interests here. A number of factors have impeded progress: the President's thin majority in Parliament; political polarization underlined by the opposition UNP's plan to engineer a vote of no-confidence against the Government during the November budget debate; the lack of policy planning and implementation mechanisms; and the conflict itself, which has crowded out spending and creative thinking on other national priorities. These factors have made progress difficult on a devolution package that will meet moderate Tamil needs, while the two-thirds majority that will be required to amend the constitution and implement credible devolution seems out of reach until the President's Parliamentary strength is clarified. Without a peace proposal on the table, the pattern of daily military engagements is likely to continue throughout the fall. Despite bellicose rhetoric from the Defense Ministry, no major offensive to the north is likely soon. Many observers predict the LTTE is likely to launch a major military or terrorist attack before Prabhakaran's November "Heroes Day" speech to show it still has the capability to strike and deter a major offensive push to the north. Such an attack, particularly if successful, could trigger wider fighting. Progress on human rights has been modest: abductions in Colombo have decreased, but the level of abductions, disappearances and extra-judicial killings in Jaffna, Vavuniya and Mannar remains serious as do threats and intimidation against journalists.

[1](#)2. (C) In this mixed picture, the U.S. remains one of the most influential players in Sri Lanka and has important opportunities to advance our interests. While the internal political situation clarifies, the U.S. should continue to

use every opportunity to encourage a negotiated settlement and an end to the conflict. The U.S. and other Co-Chairs should also use this period to help lay the groundwork for peace talks to resume by: (a) supporting Track 2 efforts that include Tamils with access to the LTTE; and (b) beginning our own dialogues with Tamils in each of our countries to hear their perspectives, explain our activities and encourage them to send constructive messages to the LTTE. On human rights, the U.S. should: (a) continue to press for a halt to all abductions and extra-judicial killings and an end to the murder and harassment of journalists, particularly Tamil journalists; (b) press for the indictment and prosecution of security officials widely believed to have been responsible for the killing of students in Vavuniya; (c) encourage progress on other high-profile but fairly clear-cut cases, such as the killings of five students in Trincomalee; (d) seek the passage of a witness protection bill and an end to the 17th amendment impasse that has prevented the Constitutional Council from appointing independent heads of the Human Rights, Police and Bribery Commissions. Post also has submitted suggestions for building GSL forensic capacity and defending human rights defenders (see para 5). Post recommends that Washington condition a lifting of the deferral of Millennium Challenge Corporation funding decisions on signs that Sri Lanka (including the military) is genuinely committed to peace and sustained progress on human rights. End Summary.

President's Narrow Political Margin and Increasingly Sharp, Polarized Debate

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13. (C) Several cross-cutting factors have mitigated against

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significant progress on issues of concern to the U.S.:

-- President Rajapakse's thin majority in Parliament and the opposition UNP's threat (possibly supported by the Sinhalese nationalist JVP party, which supports the Government from outside) to request a vote of no-confidence against the Government during the early November budget debate mean that Rajapakse looks at action on any issue through the lens of what it will mean to his political prospects rather than what will be good for the country.

-- With the President's fragile Parliamentary majority, progress, particularly on peace issues, is only possible if the two key Sinhalese parties, the President's SLFP and the opposition UNP, cooperate. But just the opposite has happened. A Memorandum of Understanding last fall to bring these two parties together collapsed because of mistrust between the President and opposition leader Wickremesinghe and the President's successful effort in January to lure 18 UNP MPs into his government. Since then the UNP has steadily upped its public criticism of the President and his Government and focused its efforts on preparing the ground to bring down the Government.

-- Decision-making, policy planning and policy implementation all have lagged under Rajapakse. The President is a superb, likable retail politician, but he does not have a vision for the country. That is not necessarily a problem provided the President can surround himself with smart advisors who can perform these functions. The President has not done so, however, choosing to rely primarily on his brothers Basil as his chief political advisor and Gothabaya to run the military. Both are outsiders who lived for long periods in the U.S. before taking up their duties. They do not therefore enjoy close friends who can give them political advice, nor have they brought in Tamil and other outside advisors who could help.

-- To try to bolster his Parliamentary strength the President has boosted his Cabinet to more than 100 Ministers and Deputy Ministers, most of whom are political leaders with little or

no expertise in their areas of responsibility. To accommodate them all, many key portfolios have been divided, causing confusion, lack of accountability and responsibility, and concentrating even more power in the hands of the Rajapakses where all decisions must be made. Many ministers within the President's party feel sidelined by the UNP crossovers, and frustrated that the Rajapakses between them control about 75% of the government's budget. Though undesirable, that could work if there were an effective Cabinet system and Presidential secretariat to kick up decisions to the President in an inclusive way and then make sure decisions are implemented. But there are no such systems, so even when the President does make a decision, implementation and tracking are often lacking.

-- Lastly, the conflict with the LTTE has had a major impact on governance. In addition to the estimated 4,000 people who have been killed in the past year, 300,000 internally displaced persons, and the dramatic increase in human rights violations as a result of the conflict, defense spending has increased sharply, crowding out spending on education, health, infrastructure and other priorities. The conflict has also monopolized the attention of the President and his Cabinet, leaving little time for policy planning on how to prepare Sri Lanka to compete in the future, how to reform the university education system, how to boost information technology and other training, and many other priorities.

-- All of these factors have made progress on any issue halting, thereby strengthening UNP chances to bring down the government. Opposition complaints about the escalating cost of living, the reduction of subsidies, small tax increases to help finance the conflict, and the lack of action to investigate the findings of the Committee on Public Enterprises regarding corruption by Ministers and public enterprise leaders, all have resonance among an increasingly restive public.

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A Report Card on Progress on Issues of Concern to the US  
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14. (C) The factors above help explain why the Rajapakse Government has focused mostly on its own political preservation while making only limited progress in recent months on the key issues of concern to the U.S. Following is a quick status report, with references to more detailed previous reporting:

- Progress Toward Peace Talks to End the Conflict:

The U.S. and other Co-Chair countries have encouraged the GSL and the All Parties Representative Committee (APRC) to produce a devolution package that will meet the needs of moderate Tamils. Minister Tissa Vitharana has labored mightily to try to produce a consensus document that could form the basis for renewed talks with the LTTE. But the APRC faces two central challenges in meeting its goal. The first is that any serious devolution package will require amending the Constitution, which requires a two-thirds majority in Parliament. With the President fighting hard to maintain a simple majority in the November budget debates, the two-thirds majority required to pass a bold devolution package seems out of reach. Even if the President decides to go for new elections in the hopes of gaining a wider majority, he is unlikely to gain the two-thirds majority he needs. The cooperation of the UNP is therefore needed, but unlikely in the current partisan atmosphere.

The second challenge is the extent to which President Rajapakse is willing to push for a credible devolution package and shepherd it through the stormy Parliamentary and public debate that would follow. Sri Lanka's current constitution confers significant (many say excessive) power on the President. If the President can take action on the

issues now reverberating in public (inflation, corruption), there might be political space for him to tack to the center to forge a coalition of reform minded Parliamentarians to support significant devolution. But those who know the President and have followed his career say that he remains at heart a southern Sinhalese politician who has never made a priority of peace during his career. They say the President has a relatively open mind about devolution, but is not likely to take substantial political risks to accomplish anything bold that might alienate his southern Sinhalese base.

- Human rights:

While there has been some progress in stopping abductions in Colombo, the level of abductions, disappearances and extra-judicial killings in Jaffna, Vavuniya and Mannar remains very serious. The GSL's withdrawal of security from veteran reporter Iqbal Athas following his expose of possible high level corruption in the acquisition of MIGs and his subsequent decision to leave the country temporarily, coupled with continued threats against Tamil journalists, suggest that freedom of expression remains under threat. (See ref B for a recent summary of the human rights situation.)

- The Conflict:

The U.S. has told the GSL that it can improve relations with the U.S. by showing sustained progress on human rights, and demonstrating it is truly committed to a peace rather than military strategy by: a) working to ensure that the current All Parties Representative Committee process results in a power sharing proposal that would be considered credible by the majority of Tamils and Muslims; and b) not engaging in offensive military action. Questions remain about the GSL's intentions. Defense Secretary Rajapakse's recent comments to a military gathering that "the Government is determined to liberate the remainder of the uncleared areas of the Vanni from the clutches on the LTTE in the same way it liberated the East" gave many people pause and obliged the Foreign Minister to issue his own statement that Sri Lanka has no plans for an offensive to the north. The Defense Secretary

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earlier confided to us that Sri Lanka would need double the amount of troops it has to be able to take the north. That coupled with the financial straits Sri Lanka now finds itself in, with a rising budget deficit and falling Rupee, make any major effort to retake the Vanni unlikely in the near term.

But the pattern of daily military engagements is likely to continue with the possibility of more significant action. The Government is likely to continue to use its air power to attack LTTE sea and land bases in the north. It is also likely to pick its opportunity to try to use army and naval assets to weaken the LTTE at points along the southern forward defense line. The "humanitarian" attack to regain areas south of Mannar this past weekend was a case in point. Most observers also believe that after suffering a major strategic loss in the East, the LTTE is likely to launch a major attack before Prabhakaran's November "Heroes Day" speech to show it still has the capability to strike and deter a major offensive push to the north. The outlook therefore is for continued low intensity fighting throughout much of the fall.

- The Humanitarian Situation:

The Government achieved a major strategic victory this year in pushing the LTTE back from most of areas in eastern Sri Lanka that the LTTE had occupied for many years. But this push had significant humanitarian consequences by displacing 160,000 additional internally displaced people, of whom 100,000 have been resettled. The expulsion of the LTTE from the East marks a major strategic opportunity for the GSL if

it can establish security, disarm the Karuna cadres, make a swift transition from military to civilian rule, establish a sustained, ethnically-neutral economic recovery and development program, and create representative civilian institutions to manage these processes. Each of these will pose major challenges for a government plagued by the problems outlined in paragraph 3. Failure to achieve progress toward these goals is likely to provoke tensions between Tamils, Muslims and Sinhalese that could turn violent. Ref C provides a more detailed analysis of the issues at stake in the east and how the U.S. can leverage modest new assistance to work with other donors and the GSL to encourage a stable, growing, multi-ethnic region.

Implications for the U.S.: Encouraging Positive Change  
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15. (C) Following are actions post recommends to help encourage progress on USG goals in Sri Lanka:

-- Peace: The U.S. should continue to use every opportunity to encourage a negotiated settlement and an end to the conflict. The U.S. and other Co-Chairs must also continue to help lay the groundwork for peace talks to resume by supporting Track 2 efforts that include Tamils with access to the LTTE. Sri Lanka's former Ambassador to the UK and India Moonesinghe now heads the "One Text Initiative," a Sri Lankan initiative to bring all the stakeholders in the peace process together for regular, closed door meetings to help develop what OTI calls a constructive conflict resolution culture (see ref A for more details). The Norwegians are also exploring options to bring Sinhalese, Tamil and Muslim representatives together. The U.S. and other Co-Chair countries should also begin our own dialogues with Tamils in each of our countries to hear their perspectives, explain our activities and encourage them to send constructive messages to the LTTE.

-- Human rights: While Sri Lanka has made progress in halting abductions in Colombo, abductions, disappearances and killings remain a serious concern in Jaffna and Vavuniya, as do threats to press freedom. On the policy advocacy front, the U.S. should continue to press for a halt to all abductions and extra-judicial killings, an end to the murder and harassment of journalists, particularly Tamil journalists; the arrest and prosecution of security officials widely believed to have been responsible for the killing of students in Jaffna, Vavuniya and Trincomalee; the passage of

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a witness protection bill; and an end to the 17th amendment impasse that has prevented the Constitutional Council from appointing independent heads of the Human Rights, Police and Bribery Commissions. The U.S. should also help the GSL to build capacity to investigate abuses and defend the defenders. Post forwarded in July a proposal to DRL and INL to build the GSL's technical capacity to collect and analyze forensic evidence and purchase necessary equipment (ref D). Post also shared with SCA/INS via email ideas for defending human rights activists who face daily threats and intimidation.

-- Note on Millennium Challenge Corporation: Post recommends that Washington condition a lifting of the deferral of MCC funding decisions on: a) signs that Sri Lanka (including the military) is genuinely committed to peace, such as the successful conclusion of the APRC process. We need to see action to engage the Tamil community on their views, so that we can have confidence there will be a sustained halt to fighting that can allow road construction in the north and east to take place without risk of new fighting to our contractors; b) We should ask for specific signs of sustained progress on human rights, particularly abductions and killings in Jaffna, and an improvement in conditions for media in Sri Lanka, including an end to attacks on and murders of journalists.

